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# **Best Value Audits in Scotland: Winning Without Scoring?**

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**Open Track 2: Local Government Management and Local Governance**

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## **Abstract**

Best Value Audits have encouraged improvements in the corporate capacity of Scottish local authorities. They are seen by local government as credible and, in contrast to Comprehensive Performance Assessments in England, are applauded for taking account of local priorities and contexts. There are though some concerns about the consistency and transparency of the process, and reports have failed to attract public interest. In future the Best Value audit process will need to pay more attention to the importance of partnership working between councils and other local agencies.

## **Introduction**

The last decade has been a time of considerable upheaval in Scottish local government. Structural re-organisation in the mid 1990s created unitary local government throughout the country for the first time. The establishment of the Scottish Parliament in 1999 led to fundamental changes in the nature of the relationship between central and local government. The introduction of new executive and scrutiny structures in local authorities has changed the role of local political leaders. The Local Government in Scotland Act 2003 requires councils to initiate, facilitate and maintain community planning to ensure that organisations work together to provide better public services and engage local communities in decisions that affect them. The introduction of proportional representation (by single transferable vote) in the 2007 local elections dramatically altered the political complexion of Scottish local government. And the statutory duty of Best Value, introduced by the 2003 Act, has had a major impact on the management and regulation of council services.

This paper analyses the impact of one of the key elements of this change agenda - the introduction of Best Value Audits to provide external assurance that councils fulfil their statutory duty to secure improvement. The first section provides a brief description of the objectives and character of the Best Value Audit process. The second describes the data that we gathered in order to evaluate the process. Section three presents an analysis of the impacts of the Best Value Audits to date and assesses their strengths and weaknesses. The paper concludes by highlighting what might be learned from the experience of Best Value Audits – both for the development of future policy in Scotland and by policy makers and practitioners in England who are seeking to embrace a more ‘risk based’ approach to public services inspection<sup>1</sup>.

## **Best Value Audit Process**

As in other parts of the UK, public service improvement has been a key policy issue in Scotland for several years. The Scottish Executive (now widely referred to as the ‘Scottish Government’) has emphasised the need for public services reform in order to improve service quality and encourage innovation. It has argued for the provision of more personalised services; improvements in the efficiency and productivity of public service providers; and better partnership working in order to ensure more ‘joined up’ service provision. Whilst these objectives are virtually indistinguishable from those that have been pursued south of

the border, 'there have been significant differences in the way the Scottish Executive has approached such initiatives' (Allmendinger et al. 2005: 354). In particular, Scottish policy makers have placed much less emphasis on the use of competition and markets and have adopted what appears to be a more consensual approach to their dealings with local government (Gordon 2002; McGarvey 2002; McConnell 2006). Whilst Scotland has felt the force of what Power called the 'audit explosion' (1997), it has not been on quite the same scale as in England. As Sheffield and Bowerman explain, 'the emphasis in Scotland has been on allowing local authorities to develop their own cultural definition of Best Value to suit their own organisational needs' (1999: 71). Top down oversight mechanisms have been relatively 'light touch' because 'Scotland remains dependent on a consultative style based on convention and consensus, not codification, as in England' (Midwinter and McGarvey 2001: 842).

Local councils adopted a 'Best Value' framework on a voluntary basis in 1997 (three years before it became a statutory duty in England) in return for an extension of a moratorium on compulsory competitive tendering (Martin 1999). At first, they enjoyed considerable discretion about how they interpreted the framework. But in 1999 a task force, with strong local government representation, set out the attributes of a 'best value council' (Scottish Executive 1999), and the framework was tightened up. Authorities now had to put in place a performance management and planning framework (PMP), undertake service reviews and report on their performance publicly. PMP audits, conducted by external auditors appointed by the Accounts Commission, were undertaken first at a service level (from 1999/2000) and then at a corporate level (from 2000/2001 onwards).

Like PMP audits, the Best Value Audit process was also designed by a task force, which was convened by Scottish Ministers in 2002 and including representatives of the Scottish Executive, Convention of Scottish Local Authorities (COSLA), Society of Local Authority Chief Executives (SOLACE), Audit Scotland, Association of Chief Police Officers (Scotland), Chief and Assistant Chief Fire Officers Association, the Scottish Trade Union Congress, Association for Public Service Excellence, and the Scottish Consumer Council. This consensual design process produced what was intended to be a non-punitive regime which was seen as being in contrast to Comprehensive Performance Assessments (CPAs) in England. Like CPAs, Best Value Audits provide an overall assessment of each council's corporate capacity as well as an overview of service performance. But unlike CPAs, they do not rely on 'rules-based assessments', councils are not given an overall performance score and there is no overall performance league table. It was argued that 'league tabling' would damage relations between the Executive and local government and that in any case it was inappropriate to make direct comparisons among 32 local authorities that served very different types of area and were of very different sizes. There were also concerns about whether existing performance data were sufficiently accurate to allow valid comparisons to be drawn.

Like CPA, Best Value Audits focus in particular on a council's corporate governance and capacity. Auditors evaluate the effectiveness of political leadership, scrutiny arrangements and the capacity of a council's corporate management team. However, they are intended to be sensitive to local needs and priorities, both in terms of the scope of the audit and in

assessing how well councils are responding to and shaping their operating environment. Councils must demonstrate that they are achieving continuous improvement in performance and Best Value Audit teams provide a narrative report on strengths and weaknesses and areas for improvement. The audits are therefore descriptive rather than prescriptive and this, together with the fact that they reflect local needs and priorities, means that reports on different councils focus on different issues and are not therefore strictly comparable.

The audits are undertaken by a specialist team within Audit Scotland, with assistance from a council's external auditor. The audit team uses existing information including inspection reports and the external auditor's reports. Unlike, the annual CPA reports, Best Value Audits are intended to operate on a three-year cycle, with each council receiving just one audit during this period. The first Best Value Audit report was published in 2004 and by the end of March 2007, reports had been produced on sixteen of the 32 councils.

### Research methods

We evaluated the operation and effectiveness of the Best Value Audit process as part of a mid-term review of its operation (Grace et al 2007). Our study drew on an analysis of the sixteen Best Value Audit reports that had been published by March 2007; in-depth, semi-structured interviews with senior officers, councillors and partners in seven authorities; a survey of officers in each of the authorities where reports had been published; and in-depth, semi-structured interviews with key 'stakeholders' who had been closely involved in the development and/or implementation of Best Value Audits.

The case study authorities included small and large councils, urban and rural areas, some authorities that had received broadly favourable reports and others which had been on the receiving end of more critical comments. We also included councils that had been among the first to be audited and authorities that had been audited more recently (Table 1). We conducted face-to-face semi-structured interviews with between seven and eleven interviewees in six councils. In each council, we typically interviewed the Chief Executive, the Leader of the Council, an opposition councillor, the Head of Policy (or similar) and a number of service heads. We also visited West Dunbartonshire Council, where the process had proved to be particularly contentious and had culminated in a difficult public hearing, and interviewed a senior officer and a senior councillor about this process<sup>2</sup>.

**Table 1: In-depth interviews with councils**

	Officers	Members	External partners	Total
Argyll & Bute	7	2	-	9
East Renfrewshire	5	2	-	7
Edinburgh	4	3	2	9
Glasgow	8	1	2	11
Highland	5	2	-	7
Inverclyde	7	3	-	10
West Dunbartonshire	1	1	-	2
Total	37	14	4	55

We used a topic guide to structure the interviews. This ensured that we took a consistent approach and covered the same broad issues in each authority. We focused in particular on the Best Value Audit methodology; the Best Value Audit reports; the impacts which Best Value Audits had on councils, citizens, service users and other stakeholders; and ways in which the process might be improved.

The survey covered the same four sets of issues and was sent to four senior corporate officers (the Chief Executive; Head of Policy; Director of Finance; Head of Democratic Services) in each authority plus the heads of seven service areas (education, children's services, housing; planning, leisure and culture, revenues and benefits, and environment). It was administered electronically and we received 53 replies (a response rate of 31% which included replies from all but one of the sixteen councils and from a range of different types of officers).

The survey asked respondents to state the degree to which they agreed or disagreed with a series of statements about Best Value Audits on a seven point Likert scale and we analysed responses by combining them into three groups 'Agree', 'Disagree' and 'Neutral'. These questions were combined with more open ended questions which gave space for respondents to expand on their views and to highlight any other issues which they believed to be important.

The interviews with stakeholders also used a topic guide and covered similar ground. Interviewees included senior managers from Audit Scotland and the Accounts Commission, senior civil servants from the Scottish Executive and key representatives from COSLA, SOLACE, the Improvement Service and private auditing firms which had been involved in Best Value Audits.

The interviews and survey were completed between January and March 2007. The combination of different sources enabled us to build up a comprehensive and rounded assessment of Best Value Audits. The interviews enabled us to test in detail the ways in which Best Value Audits had operated in a range of different contexts, whilst the survey results enabled us to check whether the views expressed by case study interviewees were representative of those of the wider local government community.

## **Findings**

The evidence showed that the Best Value Audit approach has gained credibility and in broad terms has been effective. There were some criticisms and suggestions for improving the process but audits were accepted by most councils and other stakeholders as a credible way of assessing councils' performance.

### *Best Value Audit methodology*

Most survey respondents were very positive about the overall approach taken by Best Value Audit teams. A large majority believed that they possessed the requisite skills and expertise and gathered the right information. Five of the six case study authorities had found the self-

assessment process helpful, although it had taken them a lot of time. Some interviewees believed that there would be benefits in making the 'rules' clearer so that self-assessments focused on the issues that audit teams were most interested in. In this respect, Best Value Audits were compared unfavourably with other inspections, in particular those conducted by Her Majesty's Inspector of Education, which were seen as having more transparent methodologies and more explicit assessment criteria.

Most interviewees welcomed the focus on corporate management and governance of the council, although some expressed concerns about the lack of attention given to service outcomes. This was felt most acutely in councils where audit teams had concluded that corporate processes were weak even though services were performing well (the prime example being West Dunbartonshire which won national recognition for its Children's Services and performs well in most service areas but received a damning Best Value audit report).

Nearly 30% of survey respondents felt that insufficient attention had been given to assessing the quality of community planning, and half believed that audit teams had not engaged sufficiently with non-council bodies. Interviewees in the case studies agreed. Audits teams had, we were told, interviewed only a handful of representatives of other local agencies and their questions had focused on the council's performance rather than the quality of partnership working. Several interviewees advocated separate audits of community planning. Most believed that more needed to be done to take account of the views of both partners and the public in the Best Value Audits, and that future audits should take a broader, 'cross-cutting' approach.

Some interviewees felt that larger councils had tended to 'get off lightly' because they were better at managing the process and because audit teams were not able to get so far 'beneath the surface' of the self-assessment in more complex organisations. There were also concerns about what was perceived to be a lack of co-ordination between Best Value Audits and other forms of audit and inspection. Nearly half of survey respondents believed that there was a lack of effective co-ordination with other inspectorates and more than a third reported a lack of links with the annual audit (Table 2). Interviewees cited many instances of different inspection or audit teams requesting the same information. Some also believed that Best Value Audit teams and external auditors had not worked well together. These findings were echoed in the recommendations of the recently published independent review of scrutiny of public services in Scotland conducted by Professor Lorne Crerar at the request of the Government (Scottish Government 2007).

**Table 2: The Best Value Audit Approach**

<b>Question</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>
Community planning was covered in sufficient depth	29.2%	14.6%	56.3%
My service area (if appropriate) was covered in sufficient depth	32.7%	2%	65.3%
The balance of attention given between members and officers was about right	26.5%	12.2%	61.2%
The links made with the annual audits were effective	36.2%	19.1%	44.7%
The coordination with other scrutiny bodies was effective	47.8%	17.4%	34.8%
The audits engaged extensively with non-council bodies e.g. health service, voluntary sector etc.	50%	17.5%	32.5%
The Best Value audit team were credible (skills, experience etc. of staff)	20.4%	14.3%	65.3%
The process was transparent	27.5%	13.7%	58.9%

The national stakeholders whom we interviewed expressed very similar views to the survey respondents and interviewees in case study authorities. They too were impressed with the Best Value Audit approach and regarded the self-assessment as being particularly valuable. They believed that Best Value Audit teams had identified the right issues in most authorities, but that the Best Value Audit methodology was perhaps too loose and that more attention needed to be given to service outcomes.

#### *Best Value Audits reports*

Most survey respondents were content with the Best Value Audit reports. A very large majority agreed that they were 'readable' and an appropriate length. Almost three quarters felt that they covered the local context well and more than two-thirds believed that reports were 'fair and consistent' (Table 3). However, there were concerns about the reporting of service level performance and the limited coverage of 'cross-cutting issues' like equalities and sustainability. In line with earlier comments about insufficient coordination and collaboration with other inspectorates, a third believed that audit teams had not made enough use of material held by other scrutiny bodies.



**Table 3: Best Value Audit Reports**

	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>
<i>The Best Value audit report that my council received was:</i>			
Fair and consistent	19.6%	11.8%	68.6%
Readable	5.9%	7.8%	86.3%
Covered the local context well	17.7%	9.8%	72.5%
The appropriate length	2%	13.7%	84.3%
<i>The Best Value report adequately covered the following areas:</i>			
Services	25.5%	5.9%	68.6%
Processes	12%	10%	78%
Equalities	8%	20%	72%
Sustainability	19.6%	19.6%	60.9%
The use of available data (e.g. Statutory Performance Indicators)	18%	14%	68%
Material from other scrutiny bodies	33.4%	14.6%	52.1%

Most interviewees thought that the audit report on their own council had been fair. However, a minority felt that they had not been given sufficient credit for the things they did well: one interviewee complained that the report was ‘all gruel and no gravy’. Some reported that published reports had been harsher than the informal feedback which they received from audit teams and suspected that the auditors had come under pressure from their managers to be tougher in print. There was also a widespread belief that the tone of reports varied according to which audit team and in particular which team leader had written them.

Several interviewees expressed concern about local media coverage of the reports. Whereas audit reports were balanced, the press typically highlighted critical findings and failed to mention positive comments. Authorities feared that this could damage public perceptions. Journalists told us that they find it difficult to interpret councils’ performance for the public and believe that Audit Scotland is ‘hamstrung...by a political culture in Scotland which is reluctant to use the harsh language of success and failure’ (MacMahon 2007: 57). And a surprising number of our local authority interviewees agreed that there would be benefits to be had from the introduction of explicit performance categories, in line with the CPA approach in England. They said that, in practice, an informal league table of Best Value

Audit results already exists. Reports are widely read by the ministers and their officials and senior local government officers, so everyone knows which councils are doing well and which are struggling. The publication of a performance classification would, they suggested, have the advantage of forcing audit teams to be more 'up front' about the criteria they were using and to defend the judgements they made. However, others argued against 'league tabling'. They believed that the variations between councils in terms of their size and the characteristics of the areas which they served made like-for-like comparisons of overall performance across Scotland impossible, and the introduction of a league table of overall performance would make authorities defensive and less willing to engage in honest self assessment.

### *Impact of Best Value Audits*

Most local authority officers and elected members reported that Best Value Audits had a positive impact on their councils. Three quarters of survey respondents said that they had acted as a catalyst for improvement. As noted above, the self-assessment element was seen as particularly valuable.

More than two-thirds of survey respondents reported that the audits had increased their authority's capacity for self-evaluation and learning. A majority also believed that the process had made them more accountable to local politicians and the public. And, in contrast to the findings of research on the perceived impacts of CPA (Martin 2007), just 18% of respondents reported that Best Value Audits had encouraged them to focus on national goals at the expense of local priorities (Table 4).

**Table 4: Impact of Best Value Audits**

<b>Question</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>
Improved accountability to politicians	20%	20%	60%
Improved accountability to the public	22.4%	18.4%	59.2%
Provoked media interest	6%	16%	78%
Identified instances of failure	12.3%	30.6%	57.1%
Diagnosed the reasons for failure	24.4%	34.7%	40.7%
Acted as a catalyst for improvement (better quality and more efficient services)	8%	16%	76%
Struck the right balance between 'holding to account' and 'helping to improve'	34.6%	12.2%	53%
Led my council to focus on national priorities at the expense of local priorities	56.8%	25.5%	17.6%
Led my council to concentrate on short-term goals rather than longer-term issues	62.7%	17.6%	19.7%
Encouraged my council to develop a greater capacity for self-evaluation and inter- and intra-organisational learning	11.8%	17.6%	70.6%
My council's improvement plan has been instrumental in helping to drive improvement	15.7%	17.6%	66.7%
My council has received support from external organisations to help deliver actions in our improvement plan	47.8%	20.5%	31.8%
The self-assessment process has been instrumental in helping to drive improvement	7.8%	15.7%	76.4%
The benefits of external inspection outweigh the costs in terms of improvements in my council	40.4%	31.9%	27.6%
The overall Best Value audit approach has led to improvement in my council	14%	12%	74%

Not surprisingly given their focus, most of the positive impacts associated with Best Value Audits related to corporate governance and management processes. Some interviewees said that the audit process had 'galvanised the council into action'; others that it had forced them

to pause and take a strategic view of what they were trying to achieve and why. Examples of improvement cited by interviewees typically included better performance management, stronger links between corporate plans and service plans, a more systematic approach to dealing with equalities, and changes in political decision making and scrutiny processes.

Best Value Audit processes were seen as having had the greatest impact in councils with inadequate corporate processes or weak political leadership. But interviewees in two relatively 'high performing' councils reported that it had also been valuable to them because it had provided external confirmation that they were doing well. This was had been a source of personal satisfaction for officers, members and 'frontline staff' and strengthened the councils' hand in their dealings with the Scottish Executive.

The main criticism with respect to the impact of the process was that audit teams provided insufficient advice about how to address weaknesses. Fewer than half of survey respondents reported that audit teams had helped them to identify the reasons why services were failing and many lamented the lack of external support to help them to deliver actions identified in their council's improvement plan (which follows on from the Best Value Audit). Two councils had received what they saw as valuable assistance from COSLA and the Improvement Service (a partnership between the Scottish Government, COSLA and SOLACE which is intended to support improvement in local government), but others expressed concern about the capacity of the Improvement Service, contrasting it unfavourably with the expertise offered in England by the Improvement and Development Agency. Overall, less than a third of survey respondents agreed that their council had received support from external organisations to help deliver actions in their improvement plan.

There were also concerns about the cost of audits. One authority estimated that it had devoted 900 person hours (more than one full-time equivalent post) to preparing for, managing and responding to its Best Value Audit. In addition, many interviewees said that although audits had highlighted some important issues, they had not really told them anything that they were not already aware of. The benefits were therefore seen as relatively small in relation to the time and effort which councils and audit teams had put in.

None of our interviewees suggested that reports had a significant impact on the public. They were not therefore seen as strengthening local accountability. Most believed that there was little point in trying to attract more interest in Best Value Audits. The public was, they said, interested in 'frontline services' but not in corporate management processes.

The impact on other local agencies had also been negligible because, as noted above, to date audit teams have focused on councils' corporate capacity rather than on community planning. Many interviewees believed that, given the increasing importance of partnerships in addressing complex, 'cross cutting' issues, future audits could not focus simply on council performance.

*Future of Best Value Audits*

There was widespread agreement that Best Value Audits were valuable and should be retained, but that the approach needed fine-tuning. Almost all survey respondents (96%) felt that audits should become ‘more flexible, risk-based and proportionate to risk’. Some suggested that councils which were not seen as being ‘at risk’ of failing to improve should be subject to less frequent and less intense inspection (Table 5).

As noted above, many interviewees and survey respondents argued that audit teams and/or the Improvement Service needed to provide much more support to councils. There were frequent calls for Audit Scotland to facilitate the sharing of best practice by virtue of their knowledge of what different councils are doing and their assessment of these practices through the Best Value Audits. Some wanted guidance to enable councils to benchmark their performance against and learn from other councils – both in Scotland and other parts of the UK. There was also very strong support for the inclusion in audit teams of peers with ‘hands on’ experience of running large, complex organisations. It was thought that this would not only strengthen audit judgements but also enable audit teams to offer suggestions about how to improve, which in turn would make Best Value Audits more useful to councils.

**Table 5: Future of Best Value Audits**

Question	Disagree	Neutral	Agree
Audit Scotland should continue not to use league tables or scores	7.9%	11.8%	80.3%
Future audits should include an indication of a council's direction of travel in terms of improvement	0%	2%	98.1%
Future audits need to be more flexible, risk- based and proportionate to risk	2%	2%	96.1%
The involvement of peer members/officers in the Best Value audit team would improve the process	6%	12.2%	81.7%
Greater reliance on self regulation would help to encourage improvement	12.3%	8.2%	79.6%

Many interviewees wanted to see a greater emphasis on service delivery or, as some put it, ‘outcomes rather than managerial processes’. In addition, as noted above, there was a widespread view that future audits would need to take much more account of partnership working. Some interviewees argued that in future Best Value Audits should evaluate the performance of all local public agencies in an area, rather than focusing on local councils. Others suggested that councils should continue to be at the heart of the process but that much

more attention needed to be paid to the effectiveness of their partnerships with other agencies.

Interviewees and survey respondents also felt that Best Value Audits and other inspections needed to be better integrated. Suggestions included the development of common frameworks for audit and inspection, joint inspection visits and co-reporting by different inspectorates.

Unlike some of the case study interviewees who expressed support for more explicit rankings, 80% of survey respondents were opposed to the introduction of league tables based on Best Value Audit reports. However, most respondents suggested that there would be benefits in having greater clarity and transparency about the audit criteria and methods which were being used. There was also support for introducing an indication of a council's direction of travel in terms of improvement in future audits.

## **Conclusions**

In spite of the important differences between Best Value Audits and CPAs, there are some striking similarities between the challenges facing the Accounts Commission in Scotland and the Audit Commission in England. A recent analysis of inspection of English local authorities highlighted four main concerns about inspection of local government in England: it is time consuming and costly; inspection processes are fragmented; the inspection process is often adversarial and militates against honest self-assessment; and there is little meaningful involvement by local people (Downe and Martin 2007). Three of these four concerns were echoed in our analysis of Best Value Audits (the exception being worries about the adversarial nature of inspection in England).

This is not altogether surprising given the similar origins of Best Value Audits and CPAs. Both reflect the increasing importance that has been attached to public service improvement. Both have their roots in a statutory duty to achieve 'best value'. Both are delivered by the main local government audit bodies in their respective countries. And both derive from the same (implicit) theory of improvement which emphasises that sustained improvement in services requires effective leadership and robust performance management of the council as a whole.

There are though interesting differences in the perceived impacts of the two regimes which provide useful potential pointers for future policy. By eschewing a 'rules-based approach', tailoring Best Value Audits to local context and priorities and avoiding scoring a council's overall performance, Audit Scotland and the Accounts Commission have created a consensual approach which enjoys widespread ownership and support among local authorities in Scotland. With one or two exceptions, councils believe that Best Value Audits have been reasonably balanced and fair assessments which have facilitated honest self-assessment and prompted learning. By contrast, they see CPAs in England as having been imposed 'top down' and taking a more formulaic approach which encourages a 'one size fits all' model of improvement. Our interviewees suggested that Best Value audit reports were rarely contested by authorities in Scotland and authorities had less of an incentive than their

English counterparts to indulge in gaming. The evidence does therefore seem to show that it has been possible to encourage improvement without a ‘rules-based approach’ of the kind used in CPAs.

But the Best Value Audit process also usefully highlights some of the tensions and challenges involved in developing public services inspection which is attuned to local context and priorities. A more differentiated approach makes it less easy to adopt a standard set of inspection criteria and methods. The ‘rules of the game’ are less clear than under CPA and this can fuel fears about the transparency and consistency of the process. Clearly, there is a balance to be struck. In our view, there would be benefits in Audit Scotland and the Accounts Commission spelling out more clearly the implicit theory of improvement which underpins their work, but making the criteria more explicit may mean that it is more difficult to take account of local needs and priorities.

Finally, as many interviews observed, the quality of life for local people depends on the actions of a range of agencies, but to date Best Value Audit reports have given little attention to community planning. Whilst some councils have not yet fully embraced community planning, some now regard it as being centre stage and the Best Value Audit process therefore lags behind practice on the ground. However, evaluating the effectiveness of local partnerships presents major new challenges which will probably require changes in the audit methodology and additional spending on audits.

## Notes

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2. When Accounts Commission receives a Best Value report from the Controller of Audit it may publish its findings straightaway or request further information. The Best Value Audit report on West Dunbartonshire concluded that there were serious failings which the council disputed. The Commission therefore held a hearing in order to hear the council’s response first hand. The process attracted significant local media attention and debate.

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